

Revenue Analysis

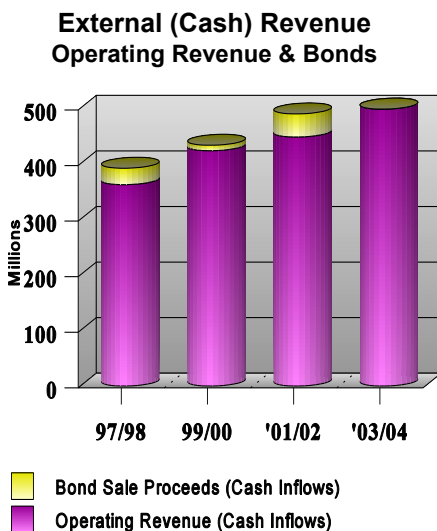
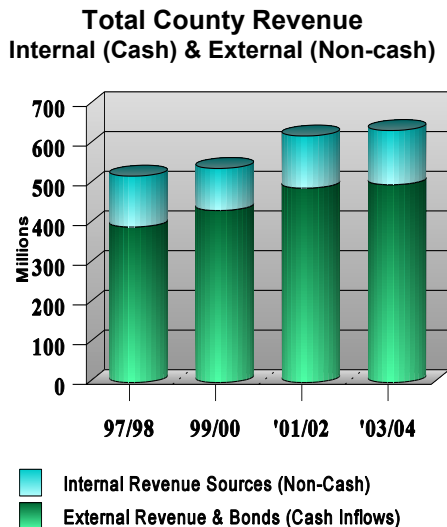
This section reviews the historical growth of the County's major revenue sources from 97/98 through 03/04. Bond proceeds and internal revenue have been displayed separately to allow an unobstructed view of the growth in operating revenue. This trend analysis is followed by a detailed analysis of the 2003/2004 projected revenues that support the 2003/2004 biennial budget. Effort has been made to ensure that the historical and forecast data are as comparable as possible.

Historical Revenue Analysis

In 97/98, revenue totaled \$519.9 million. The 2003/2004 budget includes projected revenue \$634.7 million. This is equivalent to an average increase of 3.5 percent per year. Revenue growth has been most rapid in two areas, charges for services and intergovernmental receipts.

Revenue may originate from external or internal sources. External revenue, such as taxes, bond proceeds and Federal or State grants, are cash receipts from outside the County. These cash revenues finance all County activities, services, and facilities. Internal revenue represents the movement of dollars between Clark County entities. This revenues does not increase the total amount of available resources, because no cash is received by the County as a whole.

The table (below) summarizes the major revenue sources from 97/98 to 03/04.



8 Year Revenue Summary (Millions)					
Revenue Source	97/98 Actual	99/00 Actual	01/02 Actual	03/04 Budget	Annual Growth
Property Tax	101.5	122.4	134.5	149.6	7.0%
Sales Tax	36.8	40.5	43.2	43.4	2.9%
Other Taxes	29.1	27.5	28.2	32.3	1.9%
Charges for Service	64.8	66.8	70.9	78.3	3.3%
Intergovernmental	84.3	98.8	128.0	125.9	7.5%
Bond Proceeds	29.5	9.8	41.5	-	-
Other External Rev.	45.8	67.4	43.3	68.7	4.2%
External Revenue	391.8	433.2	489.6	498.2	4.2%
Internal Revenue	128.1	105.9	131.4	136.5	1.8%
Total Revenue	519.9	539.1	621.0	634.7	3.5%

External revenue, which includes operating revenue and bond proceeds, has increased from \$391.8 million in 97/98 to \$498.2 million in 03/04. This represents a total increase of 27.2 percent, and is equivalent to an average increase of 4.2 percent per year.

Operating revenue (external revenue less bond proceeds) finances all County services, County funding for local service providers, and most County infrastructure projects. The lower portion of the graph to the left shows operating revenue grew by 24 percent between 97/98 to 01/02. Growth in operating revenue is projected to continue an adjusted similar pace between 01/02 to 03/04.

The County issues general obligation and revenue bond to finance specific capital projects. The amount of bond proceed received varies greatly from year to year. The upper portion of the graph to the left illustrates the fluctuation in the amount of bond proceeds, which ranges from \$9.8 million in 99/00 to \$41.5 million in 01/02. The 2003/2004 revenue forecast contains no bond proceeds revenue.

Components of Revenue Growth

The following table summarizes growth in revenue from 97/98 to 03/04, by major revenue source. The dollar growth increase and average biennial percent increase are shown.

Change in Major Revenue from 97/98 to 03/04 (Millions)					
Revenue Source	97/98 Actual	.....	03/04 Proj.	Total \$ Growth	% Growth
Property Tax	101.5	.....	149.6	48.1	13.9%
Sales Tax	36.8	.....	43.4	6.6	5.7%
Other Taxes	29.1	.....	32.3	3.2	3.9%
Changes for Service	64.8	.....	78.3	13.5	6.6%
Intergovernmental	84.3	.....	125.9	41.6	15.0%
Bond Proceeds	29.5	.....	-	(29.5)	52.2%
Other External Rev.	45.8	.....	68.7	22.9	23.4%
External Revenue	391.8	.....	498.2	106.4	8.4%
Internal Revenue	128.1	.....	136.5	8.4	3.5%
Total Revenue	519.9	.....	634.7	114.8	7.0%

The paragraphs which follow, discuss the major components of the \$114.8 million increase. A brief description of each major source and the underlying causes for the change is also provided.

Change in External Revenue Sources

Property Taxes

Increased property tax revenues account for about 40 percent of the total increase in County revenues from 97/98 to 03/04. This growth reflects an increase in new construction within the County, which increases both the tax base and the allowable total levy. Property tax revenue has historically grown by over 12 percent per year (1990 -1996). The Cascade Park annexation (1997) and Referendum 47, which capped property tax growth, has caused property tax revenue growth to slow to about 7 percent per year.

Referendum 47, which passed in 1997, restricts the levy increase to the national inflation index called the implicit price deflator (IPD) or 3 percent, whichever is less. The IPD rate of .85 percent was used to calculate the 1999 levy. The 2000 levy projection is based on an IPD estimate of 1.05 percent. Washington voters further restricted property growth with the passage of I-747. In short, I-747 restricts growth in property taxes to 1% plus new construction. The 2003 levy is based on 1%.

Sales Tax

Sales tax revenue have increased by \$6.6 million since 97/98. Most of this increase is due to an increase in the tax rate of 1/10th percent in 1999. This increase is authorized by the State Criminal Justice Act and is dedicated to Law and Justice programs.

Other factors that have impacted sales tax revenues include an increase in the underlying cost of retail items and the Cascade Park annexation (1997) which shifted sales tax receipts from the County to the City of Vancouver.

Other Taxes

Other taxes, which include the real estate excise tax (REET) have increased \$3.2 million since 97/98. The increase in this revenue source is the result of an increase in the volume of property changing ownership and population

<i>Change Since 97/98</i>	<i>\$48.1 million</i>
<i>6 Year Growth Rate</i>	<i>13.9 percent</i>

<i>Change Since 97/98</i>	<i>\$6.6 million</i>
<i>6 Year Growth Rate</i>	<i>5.7 percent</i>

<i>Change Since 97/98</i>	<i>\$3.2 million</i>
<i>6 Year Growth Rate</i>	<i>3.9 percent</i>

<i>Change Since 97/98</i>	<i>\$13.8 million</i>
<i>6 Year Growth Rate</i>	<i>6.6 percent</i>

<i>Change Since 97/98</i>	<i>\$41.6 million</i>
<i>6 Year Growth Rate</i>	<i>15.0 percent</i>

<i>Change Since 97/98</i>	<i>-\$29.5 million</i>
<i>6 Year Growth Rate</i>	<i>N/A</i>

<i>Change Since 95/96</i>	<i>\$22.9 million</i>
<i>6 Year Growth Rate</i>	<i>23.4 percent</i>

<i>Change Since 97/98</i>	<i>\$8.4 million</i>
<i>6 Year Growth Rate</i>	<i>3.5 percent</i>

increases in the unincorporated areas of the County. Other taxes in this category have decreased (motor vehicle fuel tax) as a result of citizen initiative.

Charges for Services (External)

Charges for services have increased \$13.8 million since 97/98. Much of this increase reflects increased sewer fee revenue which coincides with the completion of the Sewer Treatment Plant expansion. The increase also reflects the passage by the County of the Clean Water fees (\$6 million).

Intergovernmental

Intergovernmental revenue has increased \$41.6 million since 97/98. \$25 million of the increase reflects new State grant funding for social service programs administered by the County's Department of Community Services. Most of the remaining increase is due to the Health Department becoming part of the County.

Bond Proceeds

Bond proceeds act differently than other revenue streams. Historically, the County has had significant issuances in one period but none in other periods. No issuances are anticipated in 03/04, therefore the decrease when comparing to 97/98. However, \$20 million in bond proceeds were received in 1998 for the Jail Work Center and Open Space property acquisition. Approximately \$9.8 million in bond proceeds were issued in 99/00 for completing the Jail Work Center, Tri-Mountain golf course equipment, Treasurer's Remittance Processor, and a new joint County/Fire District safety complex and \$41.5 million in 01/02 for Campus Development.

Other External Revenue Sources

Other external sources, including licenses and permits, fines and forfeitures, and miscellaneous revenues, have increased \$22.9 million since 97/98. Much of the increase is due to the Health Department becoming part of the County, increase in permit fees and Public Works Trust Fund proceeds for road projects.

Change in Internal Revenue Sources

The increase in internal revenue of \$8.4 million accounts for 7 percent of total revenue growth from 97/98 to 03/04. Internal sources include internal transfers and charges received by internal service providers from other Clark County entities.

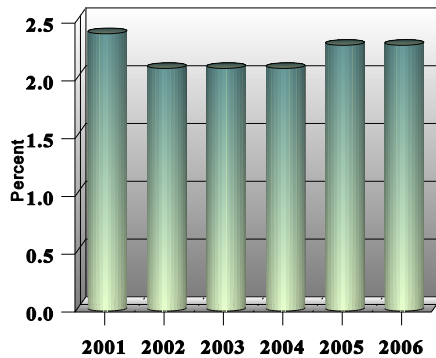
Internal Transfers and Charges for Internal Services

Internal Transfers and Internal Service Revenue have increased \$8.4 million since 97/98. These revenues reflect the movement of dollars between Clark County entities.

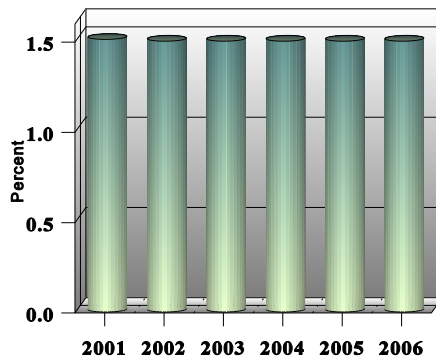
Part of the increase in internal transactions is the result of an increase in the number of fiscal entities (funds) included in the County's financial structure. The increase in internal transfers is consistent with the increase in the number of funds the County utilizes.

Most of the increase in this category deals with charges for internally provided services. Internal service providers have been replacing lump-sum subsidies with direct charges for services. This provides better tracking and cost information for internal service managers and County administration. These internal transfers and charges are "non-cash" transactions and do not represent an increase in County revenues.

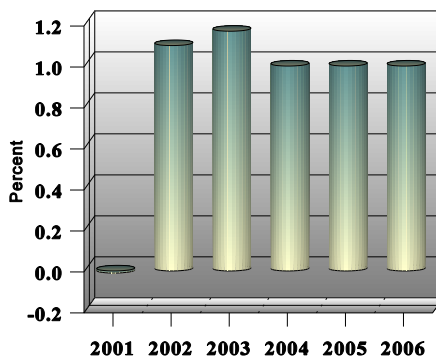
Inflation Projection



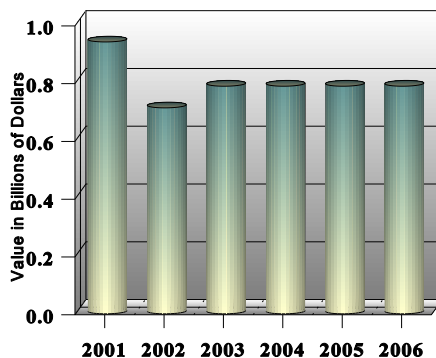
Population Growth



Employment Growth



New Construction



Revenue Forecast Process

In March 1994, a revenue forecasting team was formed to develop a rolling three year county-wide revenue forecast. The revenue forecasting team is made up of representatives from the Auditor's Office, the Office of Budget and Information Services, and the Treasurer's Office. The three year revenue forecast, which is updated annually, was the basis for the 2003/2004 forecast revenues.

2002-2006 Revenue Projection Assumptions

The following is a summary of assumptions used in the analysis.

- The regional economy will remain relatively strong.
- The growth rate in population for the County is projected to slow from three percent to one percent.
- The decline in population growth will not adversely impact construction through 2006.
- To the extent possible, other forecast assumptions are consistent with the County's published growth management plan. The forecast uses historical population levels, retail sales, inflation, new construction and other indicators that are consistent with the plan.
- No significant annexations are anticipated during the forecast period.

2002 - 2006 Revenue Forecast Indices						
	2001	2002	2003	2004	2005	2006
Inflation Rate	2.40%	2.10%	2.10%	2.10%	2.30%	2.30%
Population Growth	1.51%	1.50%	1.50%	1.50%	1.50%	1.50%
Employment Growth	-0.01%	1.10%	1.17%	1.00%	1.00%	1.00%
New Construction (millions)	\$940.9	\$712.9	\$788.1	\$788.1	\$788.1	\$788.1

Inflation

The County has enjoyed inflation levels below the low national and statewide average. This is expected to continue through 2006. Economic indicators suggest stable growth will continue in the County.

Population Growth

The population growth rate for the County stabilized in 2001 as in-migration from other states slows. The 2003 through 2006 population growth projections appear conservative when compared to past actual growth, but are consistent with long-term population projections prepared by the State.

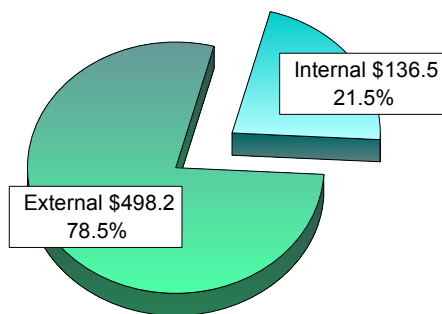
Employment Growth

Employment growth in SW Washington is projected to be about 1 percent through 2006. This is a lower growth rate than the region has experienced in recent years and is consistent with the lower population growth rates.

New Construction Added to Tax Rolls

Each year the Assessor's Office prepares a three year projection of the new construction that will occur in the County. These new construction projection is used to estimate the growth in property tax revenue that is collected primarily in the the General Fund and Road Fund.

External and Internal Revenue Sources



2003/2004 Revenue Source Analysis

The 2003/2004 biennial budget is supported by a two year revenue forecast of \$634.7 million. Of this amount, \$136.5 million is “non-cash” revenue that has been forecast for internal revenue sources. External revenue is forecast to be \$498.2 million for the two year period.

It is important to note that only external revenue sources provide an inflow of cash which the County may use to finance activities, services and capital projects. Internal sources, like transfers and internal service charges, are “non-cash” transactions and are used to track the movement of dollars between Clark County entities.

The paragraphs below describe the most significant external and internal revenue sources for the County. Also included is a description of the method used in forecasting each revenue and any major policy issues associated with the revenue source. All figures in this section are two year amount and reflect the revenue forecast for the full 2003/2004 biennium.

2003/2004 Revenue by Source

External Sources (Cash)

Property Tax	149.6 million
Sales Tax	43.4 million
Other Taxes	32.3 million
Charges for Services	78.3 million
Intergovernmental	125.9 million
Other External Sources	68.7 million
Total External	498.2 million

Internal Sources (Non-Cash)

Transfers & Internal	
Service Charges	136.5 million
Total	634.7 million

External Revenue Sources (Cash Inflows)

Tax Sources

Property Tax \$149.6 million

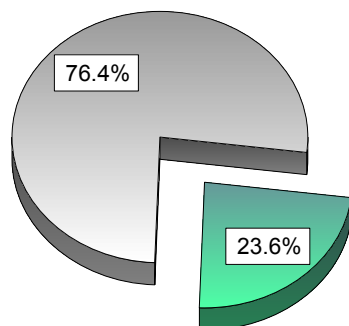
Property tax is one of the County's largest sources of revenue, accounting for 23.6 percent of all revenue. Property tax provide partial funding for the General Fund, Road Fund, Mental Health Fund, Developmental Disability Fund, Veterans Assistance Fund, and the two Conservation Futures Funds.

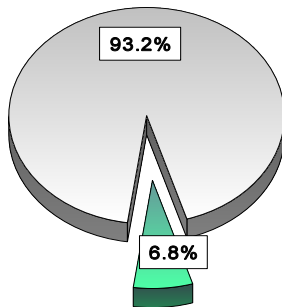
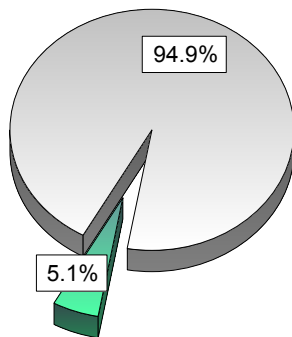
All real and personal property is appraised by the County Assessor for tax purposes. Each year, one-sixth of the County is physically inspected as part of the re-appraisal process. The remaining properties are re-valued on the basis of statistical calculations. All new construction is physically appraised in the year it is placed on the tax rolls.

Property tax in Washington State is subject to limitations: 1) Referendum 47, which was passed by voters in 1997, limits the total amount of tax collected (the levy); 2) the rate limit, which restricts the General Fund tax rate to no more than \$1.80 per \$1,000 of value and the Road Fund tax rate to no more than \$2.25 per \$1,000 of value; and, 3) Initiative 747 which was passed by voters in 2001, limits the total amount of tax to 1%. Referendum 47 limits total collections to a percentage of the highest tax levy from the prior three years. This percentage is capped at 106 percent, or the Implicit Price Deflator (a national inflation index), whichever is lower. The Implicit Price Deflator which applies to the 2001 property tax levy is 2.61 percent. However, because of I-747, 2001 rates are limited to 1 percent.

Forecasting property tax revenue begins at the previous year's levy, one adds 1.0 percent (the maximum increase allowed under I-747) and adjusts the total for new construction. The anticipated new construction adjustment is equal to the value of new construction added to the tax rolls times the previous year's tax rate. Finally, an adjustment may be made for anticipated changes in the delinquency rate. Historical experience suggests that delinquencies increase significantly when interest rates are very high, as in 1981.

Property Tax - 23.6%



Sales Tax - 6.8%**Other Taxes - 5.1%**

Other Taxes

<i>Real Estate Excise</i>	<i>13.6 million</i>
<i>Motor Vehicle Fuel</i>	<i>12.4 million</i>
<i>Misc. Tax Sources</i>	<i>6.3 million</i>
Total	32.3 million

Sales Tax \$43.4 million

The County collects sales tax primarily in the unincorporated area, although it collects an “optional” 2/10ths percent within the City of Vancouver under a revenue sharing agreement. The County also collects an administrative fee equal to 15 percent of the sale tax revenue generated inside cities.

The County's locally imposed sales tax rate is 7.7 percent, or \$7.70 per \$100 purchase. Of this amount, approximately 6/10ths percent (\$.60) goes to the General Fund, 2/10ths percent (\$.20) goes to the Special Law Enforcement Fund, and 1/10th percent (\$.10) goes to the CJA 1/10 percent Fund.

Forecasting sales tax revenue is complex because a significant portion of the revenue is tied directly to the volatile building industry. Also, consumer spending behavior, particularly with respect to “big-ticket” purchases, tends to rise and fall ahead of the overall economy. The County first arrives at a conservative estimate of the overall percentage growth expected in retail sales. Based on retail sales, a base sales tax estimate is calculated. This amount is then adjusted for any known factors, such as annexation, that are likely to impact the revenue. The retail sales and use tax decreased in 1997 due to the City of Vancouver annexation. No major annexations are anticipated during the next three years.

Real Estate Excise Tax \$13.6 million

The County imposes a 1/2 percent real estate excise tax (REET) on all real estate transactions in the unincorporated area. The 2003/2004 revenue estimate is based on a forecast that analyzes growth in the County's assessed value, the growth in the number of employed persons in the County, the growth in inflation as it correlates to the growth in real estate prices, and the growth in the County's per capita income. Given the projected decline in the forecasted population growth rate, the growth in real estate excise tax revenues is expected to slow.

Half of this REET revenue (the first .25 percent) is dedicated to capital projects included in the Comprehensive Plan. Revenue from this source is deposited in the Real Estate Excise Tax Fund.

In 1996, the County enacted the second .25 percent real estate excise tax dedicated to the development of parks (Parks REET). The majority of the Parks REET is collected within the urban growth boundary and is passed through to the cities, primarily the City of Vancouver. The Parks REET was re-enacted in 2002 splitting the receipts between Parks and Economic Development.

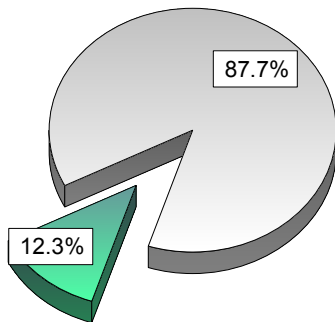
Motor Vehicle Fuel Tax \$10.9 million

The State-wide motor vehicle fuel tax is collected by the State Department of Licensing at a rate of 23 cents per gallon of gas or special fuel (excludes propane powered vehicles). The County's portion is distributed monthly. A portion is also distributed to Cities based on a population weighted formula.

Misc. Tax Sources \$6.8 million

Other tax sources include the motor vehicle excise tax, hotel/motel tax, gambling tax, timber harvest tax, land use tax, and leasehold excise tax. Each is forecast using source specific methodologies.

**Goods and Service
(External) - 12.3%**



Charges For Goods & Services (External Only)

Wastewater (Sewer) Fees \$15.0 million

Sewer fees are collected to fund the County's Salmon Creek Wastewater Treatment Plant operations and capital facilities. Fees are collected from wholesale customers within the Hazel Dell Sewer District and the City of Battleground, and the Orchards, Meadow Glade, and Hockinson areas.

Revenue projections are provided by the Department of Public Works based on the provisions of the County's agreements with its wholesale customers and historical experience. These revenues are deposited in the Wastewater Fund.

Clean Water Fees \$9.0 million

The County implemented a new program in 1999 to pay for efforts to collect and clean stormwater. This fee helps pay for updating regulations, improve monitoring and enforcement, improve measures to control runoff, and build more facilities to manage stormwater. Fees are based on the average of impervious surface per equivalent dwelling unit.

Impact Fees \$8.3 million

Traffic Impact Fees (TIFs) are collected in eight TIF districts within the County. Revenue projections (\$4.5 million) are provided by the Department of Public Works based on a quantified formula. Collected funds are transferred to the County's Public Works Department to fund eligible projects. Park Impact Fees are collected in eight districts within the County. Collected funds are transferred to the City of Vancouver for the City/County Consolidated Parks program (\$3.8 million)

Planning Fees \$7.6 million

The County charges fees for the development review process to offset a portion of the costs of administering the County's land use regulations. These fee revenues are deposited in the Community Development Fund.

Information Technology Fees \$3.7 million

The County charges fees for support and development of information services and systems. The City of Vancouver is the major client. The County supports the cities information systems under an interlocal agreement. Other fees include the repair and replacement of desktop PC's.

Motor Vehicle License Fees \$3.7 million

State law allows the County Auditor to charge a \$3 transaction and a \$0.5 service fee for the issuance of motor vehicle licenses. These revenues are deposited into the General Fund.

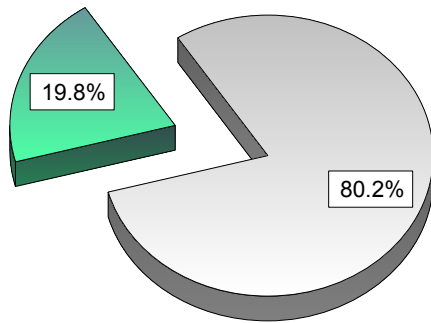
Other Charges For Service (External) \$31.0 million

Other charges for service include admission charges for the County Fair, recording and filing fees, reimbursement from other jurisdictions for road work, parks entrance fees, ambulance fees, reimbursements from other jurisdictions for elections work, probation and adult diversion fees, charges for the sale of maps, copy center charges, microfiche charges, Sheriff's civil process fees, and many others.

Charges For Service

<i>Wastewater Fees</i>	<i>..... 15.0 million</i>
<i>Clean Wateer Fees</i>	<i>..... 9.0 million</i>
<i>Impact Fees</i>	<i>..... 8.3 million</i>
<i>Planning Fees</i>	<i>..... 7.6 million</i>
<i>Information Tech. Fees</i>	<i>. 3.7 million</i>
<i>Motor Vehicle Licenses</i>	<i>. 3.7 million</i>
<i>Other Charges</i>	<i>..... 31.0 million</i>
<i>Total Services</i>	<i>..... 78.3 million</i>

Intergovernmental Revenue - 19.8%



Intergovernmental

Community Services	67.7 million
Road Project Revenues	18.2 million
Health Department	17.2 million
Law & Justice Grants	13.4 million
PUD Privilege Tax	3.8 million
Other Intergovern..	5.6 million
Total	125.9 million

Intergovernmental Revenue Sources

Community Services Grants \$67.7 million

This source represents numerous State and Federal grants for social service programs administered by Clark County. These revenues are deposited into the various Community Services Funds, including the Mental Health, Developmental Disability, and Substance Abuse Funds, as well as the CDBG Pass-Through and Non-Pass Through funds and the HUD Housing Rehabilitation Fund.

These revenues are projected by the staff of the Department of Community Services, based on estimates of available grant funding. These revenues may be significantly affected by changes in the State's budget situation, and may require an amendment to the County budget.

Road Project Revenue \$18.2 million

This revenue represents State (and occasionally federal) grant funds for road construction projects. Road project revenue is forecast by the Department of Public Works based on the timing of State supported projects. These revenues are deposited in the Road Fund and can be used only for the intended projects. Typically, these grants require a local match which may be as low as 10 percent or as high as 60 percent of the total project.

Health Department \$17.2 million

The Health Department became a permanent part of the County in 2002. Formally, the Health Department was governed by area commissioners and city council members. It was determined that economies of scale could be achieved without diminishing services. The Department receives numerous grants.

Law & Justice Grants \$13.4 million

Law & Justice dedicated grants are received into the General Fund and partially support programs in the Prosecuting Attorney's Office, Sheriff's Office, and Juvenile. These grants have increased significantly in recent years.

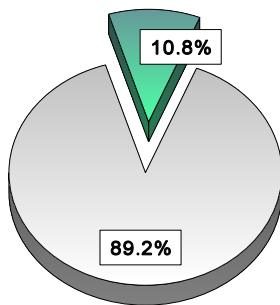
PUD Privilege Tax \$3.8 million

The State allocates a portion of its PUD Privilege Tax to local governments for general purposes. The County's share of these funds is deposited in the General Fund. This revenue has been stable for the last four years.

Other Intergovernmental \$5.6 million

Other intergovernmental revenues include liquor taxes, the GMA grant, grants for child support enforcement, juvenile probation, water quality, parks land acquisition and development grants, and energy code enforcement, as well as payment for Animal Control services in the City, WSDOT and Network funding for offender programs, and other miscellaneous sources.

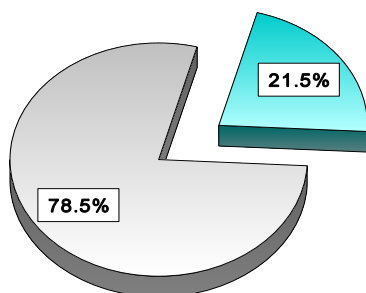
**Other External Revenue
Sources - 10.8%**



Other External Revenue Sources

<i>Licenses & Permits</i>	<i>15.7 million</i>
<i>Investment Interest</i>	<i>12.5 million</i>
<i>Fines & Penalties</i>	<i>7.3 million</i>
<i>Miscellaneous & Other . . .</i>	<i>33.2 million</i>
Total Other	
External Sources . . .	68.7 million

Internal Revenue - 21.5%



Other External Revenue Sources

Licenses & Permits \$15.7 million

Building Permits: Clark County charges fees for the issuance of building and plumbing permits. These revenues are deposited in the Community Development Fund and support the cost of conducting blueprint reviews and on-site building inspections to ensure that new construction meets relevant building, plumbing, and electrical codes.

Cable Television Revenue: Clark County administers the cable television franchise privilege in the unincorporated area and collects a franchise fee from the service provider. This revenue is deposited in the General Fund. The County and the City of Vancouver have established a joint Cable TV office to administer the cable franchise, and the County pays for this service from its General Fund.

Animal Licenses: Clark County's Animal Control Division licenses dogs and cats in the unincorporated area and in the City of Vancouver. License fees derived from the incorporated area are paid to the City. Other license fees are deposited in the Community Development Fund to partially support the costs of the Animal Control Division. Revenues are estimated by the Animal Control Division based on trends in local animal populations and the relative success of licensing outreach efforts.

Investment Interest \$12.5 million

The County manages a regional investment pool that includes County resources as well as resources owned by other local government agencies. The investment interest on the County's portion of the invested balances is projected to be \$12.5 million during the 2003/2004 biennium. Generally, invested moneys are bond proceeds that are productively invested until they can be expended on capital projects.

Fines & Penalties \$7.3 million

The County collects fines for violations of traffic laws, County ordinances, and misdemeanors. Revenue from these fines is deposited in the General Fund. District Court revenues have been stable over the past several years. Other fines and penalties include assets seized by the Clark-Skamania Narcotics Task Force, attorney fee recoveries, welfare fraud recoupment, animal control citation fines, and other miscellaneous fines.

Other External Sources \$33.2 million

Other sources of revenue include fair income, the Treasurer's investment service fee, portions of the proceeds from certain Dept. of Natural Resources timber sales, loan proceeds, and capital contributions from other government agencies.

Internal Revenue Sources

Internal Transfers and Charges for Services \$136.5 million

Internal transfer revenues are simply the receipt of the internal transfer expenditures outlined in the Expenditure Analysis section. The revenue estimate is based on budgeted expenditures in this category. Charges for internal services represent the receipt of the internal service expenditures outlined in the Expenditure Analysis section. Like internal transfer revenue, the revenue estimate is based on budgeted expenditures in this category.